

File



Inter-Provincial Diversified

Holdings Limited

1981 ANNUAL REPORT

DIRECTORY

Officers

Joseph Frieberg
President

Robert Scolnick
Vice-President
Secretary

Board of Directors

Joseph Philip Dawson
Joseph Frieberg
Murray Frieberg
Murray Joseph Howe
Robert Scolnick

Auditors

Thorne Riddell
Toronto, Ontario

Executive Office

275 Belfield Road
Rexdale, Ontario
M9W 5C6

Shares Listed

Common
Toronto Stock Exchange

Registrar and Transfer Agent

The Canada Trust Company
Common Shares

HIGHLIGHTS

	<u>1981</u>	<u>1980</u>
Income	\$ 4,685,000	\$ 3,127,000
Earnings:		
Before extraordinary items	467,000	786,000
Extraordinary items	—	257,000
Net earnings	467,000	1,043,000
Earnings per share:		
Before extraordinary items	\$.53	\$.86
Net earnings	.53	1.15
Total assets	20,003,000	13,259,000
Shareholders' equity	6,746,000	6,481,000
Common shares outstanding	853,220	889,820
Equity per common share	\$ 7.91	\$ 7.28

HOWMARK OF CANADA

Twelve months ended December 31

Sales	\$14,473,000	\$11,691,000
Net earnings*	245,000	350,000

UNITED TIRE & RUBBER CO. LIMITED

Twelve months ended December 31

Sales	\$64,886,000	\$56,957,000
Net earnings	105,000	1,470,000

I.C.D. DEVELOPMENT COMPANY OF ARIZONA, LTD.

Twelve months ended November 30

Revenue	\$ 2,493,000	\$ 2,244,000
Net earnings	759,000	377,000

*does not include taxes on the income earned by the partnership

TO OUR SHAREHOLDERS

The current recession which affected our company in the second half of 1981 produced mixed results for the year. Consolidated net earnings declined to \$467,000 from \$786,000 in 1980.

Howmark of Canada's sales for the year ended December 31, 1981 were \$14,473,000 compared to \$11,691,000 in 1980. Earnings declined to \$245,000 compared to \$350,000 in 1980. Howmark is one of Canada's largest importers of footwear, and its 75%-owned subsidiary, Olympia Shoe Limited, manufactures shoes for men and women.

United Tire & Rubber Co. Limited's sales for the year ended December 31, 1981 increased to \$64,886,000 compared to \$56,957,000 in 1980. Earnings were adversely affected by the recession in the capital-goods industries and declined to \$105,000 compared to \$1,470,000 in 1980. United Tire designs, manufactures, retreads, and services tires for the mining, forestry, construction, and transportation industries and is the only Canadian-owned manufacturing company in the tire industry.

Our land development operations in Arizona had a record year in 1981. Earnings increased to \$759,000 from \$377,000 in 1980. Our present developments are the servicing of 119 acres of residential land in the city of Sedona; and the planning and engineering of 112 acres of industrial land in the city of Chandler.

The outlook for the balance of 1982 is extremely uncertain and it is very unlikely that profits for the year will attain satisfactory levels.

Joseph Frieberg
President

Robert Scolnick
Vice-President

June 7, 1982

INTER-PROVINCIAL DIVERSIFIED HOLDINGS LIMITED

Consolidated Statement of Income

Year Ended December 31, 1981

	<u>1981</u>	<u>1980</u>
Income		
Sale of land	\$1,769,624	\$1,914,718
Share of partnership income	1,565,030	264,199
Interest and other income	1,350,042	947,903
	<u>4,684,696</u>	<u>3,126,820</u>
Expenses		
Cost of land sold	1,349,074	1,206,534
Mortgage interest	242,216	5,254
Other interest	887,895	718,681
Depreciation	19,094	16,099
Other expenses	835,057	529,446
	<u>3,333,336</u>	<u>2,476,014</u>
	1,351,360	650,806
Share of earnings of associated company, United Tire & Rubber Co. Limited	(37,476)	512,834
Income before income taxes and extraordinary items	<u>1,313,884</u>	<u>1,163,640</u>
Income taxes		
Current	160,000	167,000
Deferred	687,000	211,000
	<u>847,000</u>	<u>378,000</u>
Income before extraordinary items	<u>466,884</u>	<u>785,640</u>
Extraordinary items		
Share of partnership extraordinary items, net of deferred income taxes of \$5,000		130,330
Income tax reduction realized on application of prior years' losses		127,000
		<u>257,330</u>
Net income	<u>\$ 466,884</u>	<u>\$1,042,970</u>
Earnings per share (note 7)		
Income before extraordinary items	\$.53	\$.86
Net income	.53	1.15

Consolidated Statement of Retained Earnings

Year Ended December 31, 1981

	<u>1981</u>	<u>1980</u>
Balance at beginning of year	\$3,749,201	\$2,718,586
Net income	<u>466,884</u>	<u>1,042,970</u>
	4,216,085	3,761,556
Premium on common shares purchased for cancellation	89,792	12,355
Balance at end of year	<u>\$4,126,293</u>	<u>\$3,749,201</u>

INTER-PROVINCIAL DIVERSIFIED HOLDINGS LIMITED

(Incorporated under the laws of Ontario)

Consolidated Balance Sheet**As At December 31, 1981****ASSETS**

	<u>1981</u>	<u>1980</u>
Cash and short-term deposits	\$ 591,228	\$ 224,092
Marketable securities, at cost (market value, \$1,016,370)	938,075	
Accrued interest, dividends and accounts receivable	98,261	168,368
Other assets		35,000
Notes receivable (note 2)	1,642,134	2,934,011
Investments (note 3)	14,238,423	7,073,285
Land held for future development, at cost	1,530,958	2,611,198
Land, buildings and equipment, at cost less accumulated depreciation of \$40,711 (1980, \$21,617)	963,656	212,756
	<u>\$20,002,735</u>	<u>\$13,258,710</u>

Approved by the Board

Director *Joseph Frieberg*Director *Robert Scolnick*To the Shareholders of
Inter-Provincial Diversified Holdings Limited

We have examined the consolidated balance sheet of Inter-Provincial Diversified Holdings Limited as at December 31, 1981 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

Toronto, Canada
April 23, 1982

AUDI

INTER-PROVINCIAL DIVERSIFIED HOLDINGS LIMITED

(Incorporated under the laws of Ontario)

Consolidated Balance Sheet

As At December 31, 1981

LIABILITIES

	<u>1981</u>	<u>1980</u>
Bank advances (note 4)	\$ 5,041,308	\$ 4,168,840
Interest payable and accrued liabilities	935,370	352,063
Income and other taxes payable	15,000	40,551
Deferred income taxes	1,036,000	349,000
Mortgages payable (note 5)	6,229,229	1,867,151
	<u>13,256,907</u>	<u>6,777,605</u>

SHAREHOLDERS' EQUITY

Capital stock (note 6)		
Common shares	2,619,535	2,731,904
Retained earnings	4,126,293	3,749,201
	6,745,828	6,481,105
	<u>\$20,002,735</u>	<u>\$13,258,710</u>

REPORT

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1981 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

THORNE RIDDELL
Chartered Accountants

INTER-PROVINCIAL DIVERSIFIED HOLDINGS LIMITED

Consolidated Statement of Changes in Financial Position Year Ended December 31, 1981

	<u>1981</u>	<u>1980</u>
Source Of Funds		
Operations		
Income before extraordinary items	\$ 466,884	\$ 785,640
Items not involving funds		
Depreciation	19,094	16,099
Income taxes	687,000	338,000
Dividends of associated company in excess of share of earnings	139,896	(410,569)
Share of earnings of partnerships in excess of withdrawals of funds	(420,895)	501,945
	891,979	1,231,115
Proceeds on sale of investments	59,950	
Net changes in		
Land, buildings and equipment	310,246	
Mortgages payable	4,362,078	127,018
Dividends receivable	102,265	
Notes receivable	1,291,877	
Other assets and liabilities	679,670	257,316
	<u>7,698,065</u>	<u>1,615,449</u>
Application Of Funds		
Purchase of marketable securities	938,075	
Other investments	114,743	100,439
Partnership interests	6,948,418	1,281,229
Redemption of common shares	202,161	119,497
Redemption of second preference shares		50,000
Net changes in		
Land, buildings and equipment		162,819
Dividends receivable		13,375
Notes receivable		618,756
	<u>8,203,397</u>	<u>2,346,115</u>
Decrease In Funds Position	<u>\$ 505,332</u>	<u>\$ 730,666</u>
Funds Are Defined As		
Cash	\$ 591,228	\$ 224,092
Bank advances	5,041,308	4,168,840

INTER-PROVINCIAL DIVERSIFIED HOLDINGS LIMITED

Notes to Consolidated Financial Statements

Year Ended December 31, 1981

1. Accounting Policies

- (a) Basis of consolidation
The consolidated financial statements include the accounts of Inter-Provincial Diversified Holdings Limited and all of its subsidiary companies.
- (b) Foreign currency translation
Assets and liabilities in foreign currency are translated into Canadian dollars at the rate of exchange prevailing at the balance sheet date. Revenues and expenses in foreign currency are translated into Canadian dollars at the average rate of exchange for the year.
- (c) Capitalization of costs
Interest on obligations secured by real property and property taxes are capitalized as part of the cost of land under development and land held for future development.
- (d) Depreciation
Depreciation is provided on a straight-line basis using the following annual rates:
- | | |
|------------------|-----|
| Buildings | 5% |
| Office equipment | 16% |
| Automobile | 20% |

2. Notes Receivable

	1981	1980
Demand notes receivable from partnerships in which the company has an interest. Interest charged on these notes in 1981 amounted to \$99,260		\$ 1,913,713
Notes receivable due in 1982	\$ 49,366	551,148
Instalment notes receivable maturing from 1983 to 1990	1,592,768	469,150
	<u>\$ 1,642,134</u>	<u>\$ 2,934,011</u>

3. Investments

	1981	1980
United Tire & Rubber Co. Limited (i)		
Shares at equity value	\$ 3,262,862	\$ 3,397,094
1,025,650 Common shares (1980, 1,022,650 shares)		
111,111 7% Cumulative convertible first preference shares		
400,000 10% Cumulative convertible second preference shares		
Dividend receivable	102,525	
	<u>3,365,387</u>	3,397,094
Other shares and advances at equity value	95,257	211,459
Partnership interests at equity value (ii)		
Howmark of Canada	1,031,816	1,180,996
Real estate development partnerships	9,744,380	2,222,203
Other investments, at cost	1,583	61,533
	<u>\$14,238,423</u>	<u>\$ 7,073,285</u>

- (i) United Tire & Rubber Co. Limited
The company's holdings of common shares represent a 40.75% interest. If all of the United Tire & Rubber Co. Limited first and second preference shares were converted to common shares, the company's holdings would represent a 39.02% interest. The company has entered into an agreement whereby the payment of a dividend to which it is entitled has been deferred until 1984. The amount deferred bears interest at the bank's prime lending rate.

- (ii) Partnership interests
The company is contingently responsible for all the liabilities of the partnerships. Against this contingent liability, the company has the right to the assets of the partnerships which assets have a book value in excess of the contingent liabilities, as well as the assets of the other partners to the extent that the company is required to pay liabilities in excess of its proportionate share.

4. Bank Advances

The bank advances are secured by a general assignment of book debts, the common and preference shares representing the company's holdings in United Tire & Rubber Co. Limited, assignment of the company's 50% interest in Howmark of Canada and the hypothecation of marketable securities with a book value of \$687,920.

5. Mortgages Payable

Mortgages are payable in United States funds and bear interest at rates which range from 8½% to 12%. Principal repayments are as follows:

1982	\$1,178,929
1983	1,279,412
1984	1,069,961
1985	1,134,465
1986 and subsequent	1,566,462
	<u>\$6,229,229</u>

6. Capital Stock

	1981	1980
Authorized		
500,000 First preference shares of \$10 par value, issuable in series		
2,000,000 Third preference shares of \$2 par value		
10,000,000 Class A shares without par value		
1,712,969 Common shares without par value (1980, 1,749,569 shares)		
Issued		
853,220 Common shares (1980, 889,820 shares)		
	<u>\$2,619,535</u>	<u>\$2,731,904</u>

During the year the company purchased and cancelled 36,600 common shares. Share capital was charged with the assigned value of \$112,369. The cost in excess of the assigned value was charged to retained earnings.

7. Earnings Per Share

Basic earnings per share have been calculated using the weighted-monthly-average method after giving effect to common shares purchased and cancelled.

INTER-PROVINCIAL DIVERSIFIED HOLDINGS LIMITED

Notes to Consolidated Financial Statements (Continued)

Year Ended December 31, 1981

8. Segmented Information

The company develops real estate in the United States. The company also derives income from investments in Canada and the United States accounted for using the equity method.

	1981			1980		
	United States	Canada	Total	United States	Canada	Total
Real estate development						
Sale of land	<u>\$ 1,769,624</u>		<u>\$ 1,769,624</u>	<u>\$ 1,914,718</u>		<u>\$ 1,914,718</u>
Operating income (loss)	<u>\$ (20,457)</u>		<u>\$ (20,457)</u>	<u>\$ 803,129</u>		<u>\$ 803,129</u>
Share of partnership and associated company income	<u>1,499,834</u>	<u>\$ (58,484)</u>	<u>1,441,350</u>	<u>(45,206)</u>	<u>\$ 259,350</u>	<u>214,144</u>
	<u>1,479,377</u>	<u>(58,484)</u>	<u>1,420,893</u>	<u>757,923</u>	<u>259,350</u>	<u>1,017,273</u>
Tire manufacturing and distribution						
Share of associated company income		<u>(37,476)</u>	<u>(37,476)</u>		<u>512,834</u>	<u>512,834</u>
Shoe manufacturing and distribution						
Share of partnership income		<u>118,740</u>	<u>118,740</u>		<u>39,628</u>	<u>39,628</u>
	<u>\$ 1,479,377</u>	<u>\$ 22,780</u>	<u>1,502,157</u>	<u>\$ 757,923</u>	<u>\$ 811,812</u>	<u>1,569,735</u>
Interest and other income			<u>863,791</u>			<u>323,115</u>
Corporate expenses			<u>(1,052,064)</u>			<u>(729,210)</u>
Income before income taxes and extraordinary items			<u>\$ 1,313,884</u>			<u>\$ 1,163,640</u>

	1981			1980		
	United States	Canada	Total	United States	Canada	Total
Identifiable assets						
Real estate development						
Operating assets	<u>\$ 4,203,577</u>		<u>\$ 4,203,577</u>	<u>\$ 5,079,649</u>		<u>\$ 5,079,649</u>
Investment in partnerships and associated companies, at equity value	<u>9,459,064</u>	<u>\$ 380,573</u>	<u>9,839,637</u>	<u>2,050,455</u>	<u>\$ 383,207</u>	<u>2,433,662</u>
	<u>13,662,641</u>	<u>380,573</u>	<u>14,043,214</u>	<u>7,130,104</u>	<u>383,207</u>	<u>7,513,311</u>
Tire manufacturing and distribution						
Investment in associated company, at equity value		<u>3,365,387</u>	<u>3,365,387</u>		<u>3,397,094</u>	<u>3,397,094</u>
Shoe manufacturing and distribution						
Investment in partnership, at equity value		<u>1,031,816</u>	<u>1,031,816</u>		<u>1,180,996</u>	<u>1,180,996</u>
	<u>\$13,662,641</u>	<u>\$ 4,777,776</u>	<u>18,440,417</u>	<u>\$ 7,130,104</u>	<u>\$ 4,961,297</u>	<u>12,091,401</u>
Other assets			<u>1,562,318</u>			<u>1,167,309</u>
			<u>\$20,002,735</u>			<u>\$13,258,710</u>

9. Income Taxes

At December 31, 1981, the company has the following amounts available to reduce future years' income for tax purposes, the tax effect of which has not been recorded in the accounts:

Losses carried forward available until:	
1982	\$ 34,334
1984	7,662
1985	277,365
1986	281,629
	<u>\$600,990</u>

10. Comparative Figures

Certain 1980 comparative figures have been reclassified to conform with the financial statement presentation adopted for 1981.

FIVE-YEAR FINANCIAL REVIEW

	<u>1981</u>	<u>1980</u>	<u>1979</u>	<u>1978</u>	<u>1977</u>
Howmark of Canada					
Sales	\$14,473,000	\$11,691,000	\$11,625,000	\$ 9,218,000	\$ 7,606,000
Net earnings*	245,000	350,000	427,000	422,000	243,000

United Tire & Rubber Co. Limited

Sales	64,886,000	56,957,000	47,967,000	38,058,000	31,894,000
Net earnings	105,000	1,470,000	1,494,000	1,805,000	729,000

I.C.D. Development Company of Arizona, Ltd.

Revenue	2,493,000	2,244,000
Net earnings	759,000	377,000

*does not include taxes on the income earned by the partnership



Inter-Provincial Diversified
Holdings Limited